



TO: Nick Chiulos, Annette D'Adamo

FROM: Brent R. Heberlee

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RE: Federal Legislative Update

This memo provides a Federal Legislative Update on the items appearing on the agenda for the February 8, 2016, Legislative Committee meeting.

A. FY2017 Budget/Appropriations

The President's FY2017 budget request is due to be released on February 9th. This year, the House and Senate are working on an accelerated schedule, with the goal of adopting a FY2017 budget resolution and then passing all 12 appropriations bills ahead of the presidential and congressional elections.

The White House has already announced a significant youth jobs and skills training initiative that will be included in the budget proposal. The President's proposal would invest \$3.5 billion to create new partnerships with companies and communities to get nearly 1 million young people into first jobs over the summer and 150,000 young Americans who have been out of school and work into up to a year of paid work.

- Funds would be distributed to states through the Workforce Innovation and Opportunity Act youth formula program and be disbursed to localities to cover up to half of the cost of wages for a young person.
- They would require a matched investment from public, private, or philanthropic funding.
- Additionally, the Department of Labor will work with the Treasury Department to ensure that young people participating in these programs have access to safe and appropriate financial products and accounts, so that they can use their earnings to start building savings and gain money management skills which are critical for their future.

The President's proposals would also invest \$2 billion jointly administered by the Departments of Labor and Education to put youth who have dropped out or are most at risk of dropping out of high school on the path to get a diploma and connect to post-secondary education and jobs. Funding would be competitively awarded to communities, in required partnership with local education, workforce, and community organizations.

B. Legislative Updates

1. Drought relief legislation

Senator Feinstein released a new, draft version of her drought relief bill on January 21st. The legislation includes a wide range of provisions to address both long-term water supply needs (storage, desalination, recycling) as well as short-term, temporary solutions to make the water-delivery system more efficient during this drought. Negotiations over previous versions of the bill fell apart last December after House Majority Leader Kevin McCarthy offered language for inclusion in the omnibus spending bill without Feinstein's approval.

The bill focuses on five areas to help communities and improve long-term drought resiliency:

- Assistance for drought-stricken communities. The bill increases the WaterSMART authorization by \$150 million, some of which can now be used for a new Bureau of Reclamation program to help rural and disadvantaged communities that are running out of water. These grants can be used for short-term solutions like emergency bottled water and long-term solutions like water treatment facilities. Additionally, the bill prioritizes money from the State Revolving Fund in California—which can be used for a variety of water infrastructure projects—for drought-stricken communities. The state received \$183 million from this pot of money last year.
- Helping communities fund water projects. The bill authorizes \$200 million for the Reclamation Infrastructure Finance and Innovation Act, known as RIFIA. This loan-guarantee program will help water districts and municipalities fund long-term solutions to store water and provide clean water. The bill also authorizes \$10 million through 2019 for EPA's WaterSense program to provide information on water-efficient products that reduce household water use.
- Water storage projects. The bill authorizes \$600 million for water storage projects in California and other Western states. These funds may be used on federal and non-federal projects. The bill also establishes deadlines for the Bureau of Reclamation to complete feasibility studies to build or raise dams. These funds run through 2025.
- Water desalination projects. The bill identifies 27 desalination projects in California—which could produce more than 330,000 acre-feet of water—that the Secretary of the Interior must consider funding in addition to other qualifying projects. The list, which includes the Monterey Bay Regional Water Project Desalination Facility (Moss Landing), Monterey Peninsula Water Supply Project, Monterey Peninsula Water Supply Project (Ocean Desalination/Groundwater Replenishment) and Marina Desalination Facility Expansion, was primarily drawn from the California Water Plan. The bill also reauthorizes the Desalination Act and authorizes \$100 million for feasibility studies and project design as well as desalination research to improve reverse osmosis and membrane technology. These funds run through 2020.
- Water recycling projects. The bill identifies 105 water recycling projects—which could produce more than 850,000 acre-feet of water—that the Secretary of the Interior must

consider funding in addition to other qualifying projects. The list, which includes recycling projects sponsored by the Monterey Regional Water Pollution Control Agency, Pajaro Valley Water Management Agency and Pebble Beach Community Services District, was compiled by the Association of California Water Agencies, the National Association of Clean Water Agencies, the Water Reuse Association, the Western Recycled Water Coalition and the California Association of Sanitation Agencies. The bill authorizes \$200 million for the Bureau of Reclamation's Title XVI water recycling program and streamlines the program by eliminating the need for congressional authorization for individual projects. The bill also increases the authorization of the Bureau of Reclamation's WaterSMART program by \$150 million (from \$350 million to \$500 million) for long-term water conservation, reclamation and recycling projects.

2. Internet Tax Freedom Act

In the next several weeks, the Senate is expected to take up a customs enforcement bill with a provision tucked into it that would deal with a separate Internet tax issue: permanently banning states and localities from instituting a tax on Internet access beginning in 2020. The ban was first enacted in 1998 and has been renewed five times since. The seven states that are now allowed to collect this tax because of a grandfathering provision — Hawaii, New Mexico, North Dakota, Ohio, South Dakota, Texas and Wisconsin — would be banned from doing so under the proposed law. Together, they stand to lose about \$500 million in revenue yearly, according to statistics compiled by the Center on Budget and Policy Priorities.

State and local groups like the National Governors Association and National Association of Counties have urged Congress to pair the access tax provision with a sales tax bill sponsored by Sen. Mike Enzi (R-WY) saying, essentially, that they'd give up the access tax collected by seven states to get a sales tax collected by all 50. A handful of senators who are supporters of online sales tax legislation are attempting to leverage their support for the customs and trade bill for a commitment from Senate leadership to schedule a vote on the online sales tax measure.

3. Criminal justice reform legislation

Criminal justice reform is one policy area where the White House and Congress may find common ground. Several pieces of legislation are moving through Congress with bipartisan support that aim to reduce sentencing disparity, eliminate unnecessary confinement, establish more rational and appropriate sentencing policies and lead to better management of limited correctional resources. The Sentencing Reform and Corrections Act (S. 2123) would promote the expungement of certain juvenile offenses, prohibit juvenile solitary confinement except in limited circumstances, and increase the instances in which juveniles are eligible for parole. It would also support pre-release reentry programs that would help incarcerated individuals prepare to reintegrate back into society. The bill has been approved by the Senate Judiciary Committee and is awaiting action on the Senate floor.

The Second Chance Reauthorization Act (S. 1513/H.R. 3406) would reauthorize and improve Second Chance Act programs that provide resources to states, local governments and

nonprofit organizations to improve outcomes for individuals returning to communities. Specifically, the program improves the coordination of reentry services and policies at the state, tribal and local levels and funds demonstration grants, reentry courts, family-centered programs, mental health and addiction treatment and employment and mentoring services. H.R. 3406 has been approved by the House Judiciary Committee and is awaiting action on the House floor.